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SENATE

REPORT
102–4

OPERATION DESERT STORM PERSONNEL BENEFITS ACT OF 1991

JANUARY 31 (legislative day, JANUARY 3), 1991.—Ordered to be printed

Mr. NUNN, from the Committee on Armed Services, submitted the following

REPORT

[To accompany S. 332]

INCREASING THE RATE OF SPECIAL PAY FOR DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER, EXTENDING UNEMPLOYMENT COMPENSATION BENEFITS, EXPANDING SAVINGS PROGRAMS AND LIFE INSURANCE COVERAGE FOR MEMBERS OF THE ARMED FORCES SERVING IN CONNECTION WITH THE PERSIAN GULF CONFLICT, AND PROVIDING ADDITIONAL BENEFITS FOR SUCH MEMBERS

The Committee on Armed Services reports favorably an original bill to provide certain benefits for members of the armed forces performing service in connection with Operation Desert Shield, Operation Desert Storm, and for other purposes, and recommends that the bill do pass.

PURPOSE OF THE BILL

This bill would provide certain improvements in compensation and benefits for military personnel and their families. These improvements are targeted primarily to active component personnel and National Guard and Reserve component personnel serving or activated for duty in Operation Desert Shield and Operation Desert Storm. The provisions of this bill complement the set of improvements for military personnel serving in Operation Desert Shield provided in the National Defense Authorization Act for Fiscal Year 1991.

49–010

S203-3

COMMITTEE PROCEEDINGS

A number of bills relevant to Operation Desert Shield and Operation Desert Storm have been referred to the Committee on Armed Services, including: S. 160, introduced by Senator McCain, to extend the period of unemployment compensation for individuals involuntarily separated from the armed forces; S. 204, introduced by Senator Glenn (for himself and others), to provide for certain recalled retired members of the armed forces to serve in the highest grade previously held while on active duty; S. 221, introduced by Senator Glenn (for himself and others), to require the Secretary of Defense to authorize members of the armed forces serving outside the United States under arduous conditions pursuant to an assignment or duty detail as a part of Operation Desert Shield to participate in a savings program for members of the armed forces assigned outside the United States; S. 232, introduced by Senator Warner (for himself and others), to increase the maximum amount of coverage under the Servicemen's Group Life Insurance and Veteran's Group Life Insurance and to direct the Secretary of Veterans Affairs to pay a death gratuity to certain survivors of members of the uniformed services who died after August 1, 1990 and before the effective date of such increase; and S. 237, introduced by Senator Nunn (for himself and others), to increase the rate of special pay for members of the armed forces for duty subject to hostile fire or imminent danger. These matters were considered during the Committee's markup session on January 30, 1991, and are reflected in the specific provisions of this bill.

SPECIFIC PROVISIONS

Section 1 contains the short title, the Operation Desert Storm Personnel Benefits Act of 1991.

Section 2 of this bill would increase the imminent danger and hostile fire pay for military personnel from $110.00 per month to $150.00 per month, retroactive to August 1, 1990.

The Committee notes that the last time this pay was increased was in 1985. The increase proposed in this section would adjust the previous amount to match inflation. The Committee believes that military personnel deserve this increase in recognition of the dangerous circumstances in which they are serving. This provision is directly attributable to the on-going war in the Persian Gulf and is therefore exempt from the spending caps of the Budget Summit Agreement.

Section 3 of this bill would make the unemployment compensation for separated military personnel equal to the coverage for civilian personnel. Currently, separated military personnel who are unemployed four weeks after being separated from military service are eligible for up to 13 weeks of unemployment compensation. This provision would make such individuals eligible for unemployment compensation one week after their separation from active military service and extend the period of unemployment compensation to up to 26 weeks, the same number of weeks for which civilian workers are eligible.

This section is directly related to military personnel affected by Operation Desert Shield and Operation Desert Storm. To meet the

manpower requirements of the Persian Gulf the military services have instituted "stop-loss" policies that have resulted in the involuntary extension of military personnel on active duty beyond their active duty service obligation dates. This has created substantial turbulence for this group of individuals, many of whom made post-service employment or education plans that have had to be suspended. The Committee believes that when the "stop-loss" is ended, many military members will be separating from active military service with no security of immediate employment. This section would provide a safety net for these individuals.

Section 4 of this bill would require the Secretary of Defense to implement the savings plan for military personnel deployed to the Persian Gulf in Operation Desert Shield and Operation Desert Storm that was authorized in the National Defense Authorization Act for Fiscal Year 1991. Section 5 would exempt military personnel who are in a missing status from the $10,000.00 annual cap on the amount that individuals may save under this plan.

The Committee notes that the Department of Defense has had the discretionary authority to implement the savings plan since enactment of the National Defense Authorization Act of 1991 on November 5, 1990. The Committee believes this authority should be implemented without further delay so that military personnel deployed to the Persian Gulf in Operation Desert Shield and Operation Desert Storm can invest their earnings in the U.S. Treasury and earn a fair rate of interest. Many military personnel deployed to the Persian Gulf were deployed on short notice and had little or no opportunity to make banking arrangements to save their earnings at favorable interest rates. This is especially true of single military personnel who may have no one they can depend on to make these arrangements for them in their absence.

Section 6 of this bill would amend section 501(b)(3) of title 37, United States Code, to make clear that survivors of military members are entitled to the payment of unused accrued leave as provided for members in section 501(b)(3).

Section 7 of this bill would allow military personnel who are recalled to active duty to be recalled in the highest grade they held satisfactorily while on previous active duty. Currently retired personnel who are recalled to active duty must be recalled in the grade in which they retired. There are some military personnel who have retired in a grade lower than the grade they held at the time of their retirement. This situation occurs when an individual chooses not to complete the three-years-service-in-grade requirement for retirement in the grade they held. The Committee believes that the service-in-grade rules for retirement are appropriate. However, the Committee believes the Defense Department should be given the flexibility to recall such individuals in the highest grade such individuals served in satisfactorily while on previous active duty as a matter of equity to fill requirements generated by contingencies such as Operation Desert Shield and Operation Desert Storm.

Section 8 of this bill would increase the coverage of the Servicemen's Group Life Insurance (SGLI) plan from $50,000 to $100,000.

Section 9 would provide that military personnel who die between August 1, 1990 and the date of enactment of this legislation would

be paid a death gratuity by the Department of Veterans' Affairs equal to the amount of SGLI coverage at the time of death. These provisions would also apply to the Veteran's Group Life Insurance Plan.

The Committee notes that the average individual life insurance coverage in the private sector is a little higher than $100,000, and believes that military personnel should be provided similar coverage. The Committee also notes that while this coverage is intended for military personnel serving in Operation Desert Shield and Operation Desert Storm, the coverage would extend to all military personnel.

Section 10 defines certain terms used in the bill.

Section 11 of this bill would make it clear that the expenditures in this bill are emergency expenditures resulting from Operation Desert Shield and Operation Desert Storm as provided in the budget summit agreement. Emergency expenditures, whether related to these operations or not, are exempt from the relevant sequestration provisions if they are designated as emergency expenditures in statute. Section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901 et seq.), as amended by Public Law 101-508, provides for the treatment of emergency discretionary expenditures, including those related to Operation Desert Shield. Section 252(e) of that act provides for the treatment of emergency direct spending. Defense Discretionary expenditures that exceed the statutory cap in the Budget Summit Agreement (enacted as the Omnibus Budget Reconciliation Act of 1990, Public Law 101-508) will trigger a sequester in order to keep defense discretionary expenditures at or below the cap. Expenses related to Operation Desert Shield are exempt from this cap, however. Any new direct spending legislation is subject to the pay-as-you-go sequester provisions of the budget agreement which require that spending legislation be deficit-neutral over a five-year period. Emergency expenditures are also exempt from this requirement.

The focus of this bill is on benefits for Desert Shield and Desert Storm personnel in fiscal year 1991, which are exempt under the budget agreement. While there are expenditures beyond fiscal year 1991 authorized in this legislation, the Committee notes that none of these expenditures will have the effect of increasing defense spending above the levels in the budget agreement once Operation Desert Shield/Desert Storm is over, because any expenditures will be funded out of the total amount appropriated for defense each year. Those appropriations are constrained by the caps in the budget agreement, and those caps are not affected by this legislation.

COMMITTEE ACTION

In accordance with the Legislative Reorganization Act of 1946, as amended by the Legislative Reorganization Act of 1970, there is set forth below the committee vote to report a bill to provide certain benefits for members of the armed forces performing service in connection with Operation Desert Shield and Operation Desert Storm, and for other purposes.

In favor: Senators Nunn, Exon, Levin, Kennedy, Bingaman, Dixon, Glenn, Gore, Wirth, Shelby, Warner, Thurmond, Cohen, McCain, Wallop, Gorton, Lott, and Coats.

Opposed: None.

Vote: 18–0.

FISCAL DATA

Section 252 of the Legislative Reorganization Act of 1970 requires that the report accompanying each bill reported by a Senate committee contain certain information on five-year cost projections.

The letters received in compliance with this statutory requirement are shown below:

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, January 29, 1991.

Hon. SAM NUNN,
Chairman, Committee on Armed Services,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 160, the Veterans Unemployment Compensation Act of 1991, as introduced on January 14, 1991.

This bill would affect direct spending. Therefore, its costs are subject to the pay-as-you-go procedures set up in Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER.

1. Bill number: S. 160.
2. Bill title: Veterans Unemployment Compensation Act of 1991.
3. Bill status: As introduced on January 14, 1991.
4. Bill purpose: This bill expands unemployment benefits received upon separation from military service.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Direct spending:					
Estimated budget authority	61	115	115	120	120
Estimated outlays	61	115	115	120	120

The costs of this bill fall in various budget functions.

Basis for estimate: This bill would allow former servicemembers who qualify for unemployment compensation to be eligible for 26 weeks of payments. Current law restricts the payment period to 13 weeks and requires a four-week waiting period. This proposal would increase costs by about 72 percent compared to the amount

CBO projects for the current benefit. (Unemployment compensation costs are not expected to increase in proportion to the increase in the payment period because current evidence indicates many recipients find employment before the end of their payment eligibility.)

The cost to the Department of Defense (DoD) for providing the current benefit is about $146 million in fiscal year 1991 and will increase to $169 million by 1995. This amount pays for the benefits of individuals who complete their first term of service but did not reenlist, or were separated from military service primarily for reasons of hardship or unfitness of duty. This estimate assumes that the bill is enacted on March 1, 1991, so costs increase by $61 million in fiscal year 1991, and grow to $120 million by 1995.

6. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. The benchmark against which changes in direct spending or receipts are measured is the baseline as described in Section 257 of the 1985 law. The costs of S. 160 are not included in that baseline and therefore are subject to the pay-as-you-go procedures.

7. Estimated cost to State and local government: None.

8. Estimate comparison: None.

9. Previous CBO cost estimate: CBO estimated the costs of S. 2663, the Involuntarily Separated Military Personnel Benefits Act of 1990, on June 28, 1990; S. 2884, the National Defense Authorization Act for Fiscal year 1991, on July 19, 1990; and H.R. 5386, the Military Personnel Transition Benefits Act of 1990, on October 1, 1990. Each of these bills contained a provision similar to S. 160. The current estimate has been updated to reflect CBO's latest baseline budget projections.

10. Estimate prepared by: Amy Plapp and Cory Oltman.

11. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, January 29, 1991.

Hon. SAM NUNN,
Chairman, Committee on Armed Services,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office (CBO) has reviewed S. 204 as introduced on January 14, 1991. This bill would allow certain military retirees returning to active duty to return at the highest rank that they had previously held. The bill also would allow these retirees, upon re-retirement, to receive retired pay at the higher grade if they served in that grade for six months or more. The legislation would be retroactive to August 2, 1990. The cost to the federal government of this legislation is not likely to exceed $500,000 during fiscal year 1991. There would be no significant cost to state and local governments from enactment of this legislation.

Costs for retirees recalled to date: Enactment of this legislation primarily would affect retired military officers of certain ranks.

Under current law, an officer at rank O–5 or O–6 must serve three years in that grade before retiring in order for retirement benefits to be computed at that grade. Most officers fulfill this time-in-grade requirements. Though no precise count exists, there are probably only ten to twenty retirees each year (of a total of over 3,000) that do not satisfy this requirement. Most of these are likely to be officers such as doctors whose potential private sector pay is high relative to military pay. Such people probably retire as soon as possible rather than remain in the armed services to increase future retirement benefits beyond what is available when they first become eligible for benefits.

To date, only 250 retirees have come back to active duty. CBO has been unable to determine precisely how many of these retirees would be affected by the bill. Reportedly, not many of these are in the medical field and the CBO has been unable to determine how many are officers. The active duty pay differential between an officer of grade O–5 and of grade O–6 is approximately $6,000 a year. We assume that half or less of these retirees had retired without satisfying the time-in-grade criteria. Assuming an enactment date of March 1, 1991, the total cost from the retroactive active-duty pay they would receive would be less than $500,000.

This bill also would increase the retired pay of these retirees upon their release from active service if they had satisfactorily served in the higher grade for at least six months. Annual increased costs for retired pay would be only about half of the annual active duty pay differential.

Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending of receipts through 1995. The retroactive pay from August 2, 1990 to the enactment date and the future higher retired pay costs of this legislation would be entitlements and therefore direct spending. Nevertheless, the total annual cost during this period would not round to $1 million.

Future uncertainties: It is more difficult to predict the future cost if many more retirees are called back to active service. Depending on the course of the action, the military departments may need to call back retirees—especially those in the medical fields—to perform essential services. For the annual costs to exceed $500,000, however, over 80 of the retirees called back to active duty must have retired at a lower grade than that last held, and must serve on active duty for a full year.

I hope this information has been helpful. If you need further information about this estimate the CBO staff contact is Barbara Hollinshead, who can be reached at (202) 226–2840.

Sincerely,

ROBERT D. REISCHAUER,
Director.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, January 29, 1991.

Hon. SAM NUNN,
Chairman, Committee on Armed Services,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has examined S. 232, the Servicemen's Group Life Insurance Coverage Enhancement Act of 1991, as introduced on January 17, 1991. This bill would increase direct spending by $50 million in fiscal year 1991.

This legislation increases the maximum amount of coverage under Servicemen's Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) from $50,000 to $100,000. It also directs the Secretary of Veterans Affairs to pay a death gratuity of $50,000 to certain survivors of members of the uniformed services who died after August 1, 1990 and before the effective date of the increased coverage.

The SGLI and VGLI programs provide life insurance for current and former military personnel. The insurance premiums paid by SGLI and VGLI policyholders cover the anticipated cost of benefits paid out by the program, up to an actuarially established number of deaths not attributable to the extra hazard of military service. Thus, insurance premiums will automatically increase by an amount estimated to cover the cost of the increased coverage. For any additional deaths which exceed the actuarial baseline, the Department of Defense must bear the cost of the additional SGLI benefits paid out. It does not appear that the activities of troops deployed to the Persian Gulf area have caused an increase in the death rate to date that exceeds the actuarial baseline. If that were to occur, additional direct spending would be triggered by DoD's requirement to pay future benefit costs. The payment would exceed the current amount by $50,000 for each death. However, CBO is unable to estimate the likelihood or number of such payments.

The death gratuity provided by S. 232 would be payable to survivors of servicemembers who were covered by SGLI and died between August 1, 1990 and the date of enactment of the bill. About 150 servicemembers die each month, and approximately 95 percent of all military personnel have elected SGLI coverage. Thus, if enactment occurs on March 1, 1991, CBO expects that approximately 1,000 deaths will qualify for payment of the $50,000 gratuity under S. 221, for a total of $50 million. This amount would constitute direct spending.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. The benchmark against which changes in direct spending or receipts are measured is the baseline as described in Section 257 of the 1985 law. The $50 million in direct spending which would result from this bill is not included in that baseline and therefore would be subject to the pay-as-you-go procedures.

If you would like further details on this estimate, we will be pleased to provide them. The CBO staff contact is Amy Plapp and she can be reached at (202) 226-2840.

Sincerely,

ROBERT D. REISCHAUER,
Director.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, January 29, 1991.

Hon. SAM NUNN,
Chairman, Committee on Armed Services,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 237, a bill to increase the rate of special pay for duty subject to hostile fire or imminent danger, as introduced on January 17, 1991.

This bill would affect direct spending. Therefore, its costs would be subject to the pay-as-you-go procedures set up Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER.

1. Bill number: S. 237.
2. Bill title: None.
3. Bill status: As introduced on January 17, 1991.
4. Bill purpose: This bill increases the rate of special pay received by members of the armed forces for duty subject to hostile fire or imminent danger.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Direct spending:					
Estimated budget authority	85	0	0	0	0
Estimated outlays	85	0	0	0	0
Authorizations of appropriations:					
Estimated authorization level	138	8	8	8	8
Estimated outlays	134	12	8	8	8
Bill total:					
Estimated BA/Auth. authorizations	223	8	8	8	8
Estimated outlays	219	12	8	8	8

Basis for estimate: This bill would increase the size of the monthly payment for individuals performing duty subject to hostile fire or imminent danger from $110 to $150. The increase would be retroactive to August 1, 1990.

To date, about 472,000 servicemembers have been deployed to the Persian Gulf area as part of Operation Desert Storm and are eligible for the existing payment. CBO estimates that the cost of provid-

ing the increased payment to this group for the period extending from August 1990 to the effective date of the legislation would be $80 million. This estimate assumes that effective date of the bill is March 1, 1991 and that the number of personnel deployed to the Persian Gulf stays at the mid-January level through that time. Because these payments would be made on the basis of duty already performed, they would constitute direct spending.

In addition, about 17,000 other military personnel stationed in the Philippines and other locations currently receive monthly payments for duty subject to imminent danger. Providing the increased payment for these individuals from August 1, 1990 through March 1, 1991 would result in an additional $5 million in direct spending. Thus, the total direct spending resulting from S. 237 would be $85 million, all occurring in fiscal year 1991.

The increase in payments to Persian Gulf personnel for the remainder of fiscal year 1991 would total $133 million, assuming the number of troops deployed remains the same for the rest of the year. Payments to the other recipients would rise by $5 million for the remainder of 1991. These costs are not direct spending, but instead are subject to future appropriations.

CBO assumes that the number of personnel receiving imminent danger pay for activities not related to Operation Desert Storm will remain at the current level, resulting in added costs of $8 million annually. Due to great uncertainly regarding the future size of Operation Desert Storm, CBO has not included any increased costs for servicemembers being deployed to the Persian Gulf area beyond 1991 in its estimate. If the deployment continued at current levels beyond 1991, however, costs would increase by $228 million annually compared to the cost of providing the current payment.

6. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. The benchmark against which changes in direct spending or receipts are measured is the baseline as described in Section 257 of the 1985 law. The direct spending costs of S. 237 as estimated above are not included in that baseline and would be subject to the pay-as-you-go procedures.

7. Estimated cost to State and local government: None.

8. Estimate comparison: None.

9. Previous CBO cost estimate: None.

10. Estimate prepared by: Amy Plapp.

11. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

REGULATORY IMPACT

Paragraph 11(b) of rule XXVI of the Standing Rules of the Senate requires that a report on the regulatory impact of a bill be included in the report on the bill. The committee finds that there is no regulatory impact in the case of the bill reported by the committee.

CHANGES IN EXISTING LAW

Pursuant to the provisions of paragraph 12 of rule XXVI of the Standing Rules of the Senate, the changes in existing law made by certain portions of the bill have not been shown in this section of the report because, in the opinion of the committee, it is necessary to dispense with showing such changes in order to expedite the business of the Senate and reduce the expenditure of funds.

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